

Message Text

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ACTION EB-07

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COME-00 DODE-00 FRB-01 H-01 INR-05 INT-05 L-02 LAB-04

NSAE-00 NSC-05 PA-01 RSC-01 AID-05 CIEP-01 SS-15

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GENEVA FOR US GATT DELEGATION

E.O. 11652: N/A

TAGS: ETRD, JA, US

SUBJECT: MULTILATERAL TRADE NEGOTIATIONS: JAPANESE TARIFF ON
SMALL AIRCRAFT

1. SUMMARY. EMBASSY SUGGESTS THAT U.S. DELEGATION TO GATT
MULTILATERAL TRADE NEGOTIATIONS SEEK NON-DISCRIMINATORY DUTY-
FREE TREATMENT BY JAPAN FOR IMPORTS OF SMALL AIRCRAFT.
END SUMMARY

2. OVER THE PAST SEVERAL YEARS GOJ HAS TAKEN A NUMBER OF
ACTIONS TO FACILITATE THE IMPORTATION OF LIGHT AIRCRAFT.
QUOTA AND LICENSING RESTRICTIONS HAVE BEEN TOTALLY PHASED OUT;
DISTRIBUTORS HAVE BEEN ENABLED TO KEEP INVENTORIES OF
PLANES FOR DEMONSTRATION PURPOSES; AND CERTAIN TYPES OF LIGHT
AIRCRAFT HAVE BEEN GRANTED TEMPORARY DUTY-FREE ENTRY. WE
BELIEVE, HOWEVER, THAT THE SITUATION REGARDING JAPANESE
IMPORTS OF LIGHT AIRCRAFT, SPECIFICALLY WITH RESPECT TO
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TARIFF TREATMENT, MERITS FURTHER ATTENTION IN THE INTEREST

OF THE U.S. INDUSTRY.

3. SMALL AIRCRAFT ARE DUTIABLE IN JAPAN UNDER ITEM 88.02.1(2) OF THE CUSTOMS TARIFF SCHEDULES. THE STATUTORY RATE IS 15 PERCENT AD VALOREM, CURRENTLY BEING APPLIED AT 12 PERCENT AS A RESULT OF THE TEMPORARY ACROSS-THE-BOARD REDUCTIONS CARRIED OUT BY JAPAN IN 1972. THE 15 PERCENT RATE IS BOUND IN THE GATT.

4. AS INDICATED ABOVE, THE JAPANESE TARIFF IS NOT AT PRESENT BEING APPLIED UNIFORMLY TO ALL TYPES OF IMPORTED SMALL PLANES. SINGLE-ENGINE HIGH-WING AIRCRAFT PAY NO DUTY WHILE SINGLE-ENGINE LOW-WING PLANES ARE SUBJECT TO THE RELATIVELY HIGH 12 PERCENT RATE. THIS POSES A PROBLEM FOR U.S. MANUFACTURERS OF LOW-WING PLANES (E.G., PIPER AND BEECH) WHO WISH TO COMPETE IN THE JAPANESE MARKET WITH MAKERS OF HIGH-WING PLANES (E.G., CESSNA).

5. WE BELIEVE IT SHOULD BE AN OBJECTIVE OF THE U.S. GOVERNMENT TO SEEK ELIMINATION OF THIS DISCRIMINATION IN JAPAN'S TARIFF TREATMENT OF SIMILAR, COMPETING TYPES OF SMALL AIRCRAFT. OBVIOUSLY THE DISCRIMINATION WOULD BE REMOVED IF GOJ RESTORED HIGH-WING PLANES TO THE DUTIABLE LIST (AS IT HAS THE RIGHT TO DO WITHOUT VIOLATING ITS CURRENT GATT COMMITMENTS), BUT WE DO NOT OF COURSE ADVOCATE THIS SOLUTION. AN ALTERNATIVE WOULD BE TO SEEK EXTENSION OF TEMPORARY DUTY-FREE STATUS TO LOW-WING PLANES. WE DOUBT, HOWEVER, THAT THIS IS A PRACTICAL--OR EVEN DESIRABLE--SOLUTION. THE FINANCE MINISTER'S DISCRETIONARY AUTHORITY TO REDUCE OR SUSPEND TARIFFS IS LIMITED TO PRODUCTS WHICH DO NOT COMPETE DIRECTLY WITH DOMESTIC PRODUCTION. GOJ CONSIDERS SINGLE-ENGINE LOW-WING PLANES SUCH AS THE PIPER "CHEROKEE" TO BE DIRECTLY COMPETITIVE WITH THE FA-200 MANUFACTURED BY FUJI HEAVY INDUSTRIES. ALTHOUGH THE FA-200 IS NO LONGER IN REGULAR PRODUCTION, FUJI STILL HAS THE CAPABILITY TO PRODUCE THE PLANE AND DOES SO BY (INFREQUENT) INDIVIDUAL ORDER. AT LEAST TECHNICALLY, THEREFORE, JAPAN DOES PRODUCE A LIGHT PLANE, AND THE FINANCE MINISTRY'S TARIFF SUSPENSION AUTHORITY WOULD NOT APPLY. IN ANY CASE, TEMPORARY DUTY-FREE TREATMENT--WHICH BY ITS LIMITED OFFICIAL USE

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NATURE CAN BE WITHDRAWN AT WILL--OFFERS LITTLE LONG-TERM ENCOURAGEMENT TO THE DEVELOPMENT OF U.S. SMALL AIRCRAFT SALES IN THE JAPANESE MARKET.

6. THE EMBASSY IS THEREFORE RELUCTANT TO RAISE THE MATTER WITH GOJ IN THE FORM OF A FURTHER REQUEST FOR A UNILATERAL, UNCOMPENSATED TARIFF CONCESSION. AT BEST, GOJ PROBABLY WOULD GIVE THE REQUEST LENGTHY, AND ULTIMATELY NEGATIVE,

CONSIDERATION. AT WORST, IF WE CALL ATTENTION TO THE MATTER IN A BILATERAL FRAMEWORK GOJ MIGHT ONLY BE STIMULATED TO ACTIVELY RECONSIDER THE TEMPORARY EXEMPTION FOR HIGH-WING PLANES. THE EXEMPTION HAS BEEN MORE OR LESS AUTOMATICALLY EXTENDED FROM YEAR TO YEAR IN THE PAST AND HOPEFULLY IT WILL BE AGAIN EXTENDED WITHOUT DIFFICULTY WHEN THE CURRENT TERM EXPIRES ON MARCH 31, 1975.

7. IN LIGHT OF THE FOREGOING, WE RECOMMEND THAT USG CONSIDER ASKING JAPAN IN THE MTN TO REDUCE AND BIND ITS TARIFF AT ZERO FOR ALL TYPES OF SMALL AIRCRAFT. SUCH A GATT BINDING WOULD TRANSFORM JAPAN'S CURRENT WHOLLY DISCRETIONARY DUTY-FREE TREATMENT OF SINGLE-ENGINE HIGH-WING PLANES INTO A MORE STABLE LEGAL COMMITMENT. AT THE SAME TIME IT WOULD PLACE U.S. MANUFACTURERS OF LOW-WING PLANES ON AN EQUAL TARIFF FOOTING IN THE JAPANESE MARKET WITH MANUFACTURERS OF HIGH-WING AIRCRAFT.

8. IN OUR VIEW NON-DISCRIMINATORY TREATMENT IS A VALID OBJECTIVE IN ITSELF. HOWEVER, IN CONSIDERING THE TRADE VALUE OF A JAPANESE COMMITMENT TO GRANT DUTY-FREE TREATMENT TO ALL TYPES OF SMALL AIRCRAFT, AS OPPOSED TO CONTINUED--ALBEIT TEMPORARY--DUTY-FREE TREATMENT OF HIGH-WING PLANES ONLY, WE BELIEVE U.S. NEGOTIATORS SHOULD BE AWARE THAT ADDED U.S. EXPORTS TO JAPAN ARE NOT LIKELY TO RESULT. NON-DISCRIMINATORY TREATMENT WILL SIMPLY MEAN THAT CONDITIONS WILL BE ESTABLISHED FOR THE SMALL TOTAL JAPANESE MARKET FOR IMPORTED US. LIGHT AIRCRAFT TO BE SHARED BY COMPETING U.S. MANUFACTURERS RATHER THAN LARGELY MONOPOLIZED BY THE U.S. MANUFACTURER (CESSNA) OF HIGH-WING PLANES.

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